

Message Text

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PAGE 01 BERN 03256 211726Z

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TAGS: NATO MPOL OTRA SZ

SUBJ: US/SWISS MEMORANDUM OF UNDERSTANDING: F-5E SALE: OFFSET

REF: STATE 169473

FOLLOWING IS UNCLEARED TEXT MEMORANDUM OF CONVERSATIONS
HELD BY DEPUTY ASSISTANT SECRETARY OF DEFENSE, ROGER E.
SHIELDS, DURING VISIT TO BERN AND ZURICH JULY 18 AND 19.

2. SUMMARY: FOLLOWING MEETING WITH CHARGE AND ECON OFFICER BIZIC
JULY 18, SHIELDS SPENT JULY 19 IN SEPARATE MEETINGS WITH: NORTHROP
REP CHURCH HAENKE; GOS MILITARY PROCUREMENT DIRECTOR, HANS
KELLER; DR. ALBERT SOMMER AND M. BRUNNER, VSM SECRETARIAT,
ZURICH. SHIELDS ALSO MET BRIEFLY AT OERLIKON-BUEHRLE LTD.
WITH E. STRUEBY, J. BURGER AND WALTER KELLER. SHIELDS
STRESSED US VIEW THAT OFFSET WILL SUCCEED BUT BECAUSE
MOU STILL IN EARLY IMPLEMENTATION STAGE CAUTIONED
AGAINST PLAYING UP EACH POSSIBLE CONTRACT SO THAT
FAILURE COULD BE SEIZED UPON AS INDICATION US UNWILLINGNESS
LIVE UP TO MOU AND ANOTHER DISAPPOINTMENT FOR SWISS. SHIELDS
RECOGNIZED SWISS DESIRE FOR EARLY REALIZATION SUBSTANTIAL
OFFSET CONTRACT AND ASSURED SWISS US INTERESTED IN HELPING. HE
ASKED FOR SWISS INDULGENCE AND STRESSED US VIEW THAT FOLLOW
ON OF HIGH TECHNOLOGY IN LONG RUN INTEREST OF US COMPANIES.
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PAGE 02 BERN 03256 211726Z

SHIELDS PROPOSED DOD HOLD SEMINAR FOR SWISS EMBASSY OFFICERS AND

REPS SWISS FIRMS ON DOD PROCUREMENT REGULATIONS AND PROCEDURES.
END SUMMARY.

3. FOLLOWING SPECIFIC POINTS RAISED BY HANS KELLER WERE DISCUSSED:

A) GOS AID MEMOIRE RE CLARIFYING NOTES TO OFFSET MOU: SHIELDS SAID SWISS AIDE MEMOIRE UNDER ACTIVE STUDY AND BELIEVED THERE WOULD BE EARLY ANSWER.

B) SULZER DIESEL ENGINES: SHIELDS NOTED THAT SWISS HAD COME IN TOO LATE IN PROCUREMENT PROCESS FOR PRACTICAL CONSIDERATION USE OF SWISS-MADE DIESELS IN FIRST FIVE TANKERS. HOWEVER SHIELDS STRESSED THAT IT IMPORTANT NAVY NOW AWARE THESE DIESELS AND IS INTERESTED IN THEIR POTENTIAL USE IN SECOND TANKER GROUP.

C) REPLACEMENT FOR JAMOUSHIAN AS DOD CONTACT OFFICER: KELLER EMPHASIZED NEED FOR REPLACEMENT OF SUFFICIENT RANK AND EXPERTISE TO ASSURE SMOOTH IMPLEMENTATION MOU. SHIELDS ASSURED KELLER THAT REPLACEMENT WOULD BE PERSON OF APPROPRIATE LEVEL AND STRESSED THAT OFFSET ALREADY HAS SUFFICIENT VISIBILITY WITHIN DOD TO ASSURE HIGH LEVEL ATTENTION AND INTEREST IN ITS SUCCESS.

D) FMS PROFIT: KELLER RAISED MATTER OF 4 PERCENT FMS PROFIT, COST OF PROCESSING OFFSET. AT FIRST GOS DID NOT TRY TO REDUCE THIS AMOUNT. HOWEVER, IT NOW APPEARS AS COST ITEM IN CONTRACT WHICH SWISS QUESTION. SHIELDS PROMISED DISCUSS THIS UPON RETURN TO US AND LOOK INTO POSSIBILITY FOR CHANGE.

E) AIRCRAFT CLOCKS AND BEARINGS: KELLER SAID THAT HE UNDERSTOOD BASIS FOR US POSITION BUT POINTED OUT THAT SWITZERLAND ONLY REAL COMPETITION FOR CLOCKS WHEREAS THERE WERE MANY OTHERS REGARDING BEARINGS. SHIELDS PROMISED LOOK INTO POSSIBILITY SOMETHING COULD BE WORKED OUT TO SATISFY US INTERESTS WHILE DOING SOMETHING UNDER THE OFFSET.

F) POSSIBLE BBC CONTRACTS: KELLER SAID THERE THREE POSSIBLE CONTRACTS FOR BBC. FIRST, POSSIBLE CONTRACT FOR TENNESSEE VALLEY AUTHORITY WHICH DID NOT REQUIRE MOU BUT SWISS WILL APPLY IT. SECOND, CONTRACT FOR ERDA CLEARLY UNDER MOU; DOLLARS 40 MILLION FOR QUOTE AIR RESERVOIR UNQUOTE PROJECT FOR WHICH ARGON CONFIDENTIAL

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PAGE 03 BERN 03256 211726Z

LABORATORIES MAIN CONTRACTOR. THIRD, 48 NAVY FLYWHEELS COSTING DOLLARS 700,000 EACH. KELLER SAID GOS FOLLOWING THESE POSSIBLE CONTRACTS CLOSELY.

4. SHIELDS POINTED OUT THAT DOD HAS SPOKEN TO DIRECTORS OF US COMPANIES AND USG AGENCIES TO EXPLAIN MOU SO THEY AWARE DOD INTEREST IN MEETING US OBLIGATIONS UNDER MOU WHEN PROJECTS UNDER CONSIDERATION ON WHICH SWISS FIRMS BIDDING. SHIELDS SPOKE

IN TERMS OF QUOTE SECURITY FACTOR UNQUOTE SURROUNDING DECISIONS.

5. SHIELDS EMPHASIZED NEED FOR SWISS MANUFACTURERS BECOME KNOWLEDGEABLE ON DOD PROCUREMENT REGULATIONS AND PROCEDURES WHICH ARE IMPORTANT AND HIGHLY VISIBLE IN U.S., E.G., SWISS FIRMS SHOULD BE AWARE NO BUY AMERICAN DIFFERENTIAL APPLIES IF SWISS PRICE 50 PERCENT LESS. THIS CONNECTION SHIELDS ASKED HOW COMPETITIVE SWISS MANUFACTURERS WOULD BE IF THERE WERE NO BUY AMERICAN PROVISION. SWISS RESPONDED EXPRESSING CONFIDENCE ABILITY COMPETE ON EQUAL TERMS. SHIELDS PROPOSED DOD HOLD SEMINAR FOR SWISS EMBASSY WASHINGTON OFFICERS AND SWISS MANUFACTURERS ON DOD REGULATIONS AND PROCEDURES. ALL BELIEVED SUCH COULD BE USEFUL. SOMMER BELIEVED INITIAL SEMINAR SHOULD BE RESTRICTED TO SMALL GROUP REPS IN US FROM BIGGEST AND BEST SWISS FIRMS. THEN CONSIDER FOLLOW UP SESSION WITH ADDITIONAL SWISS FIRMS. SHIELDS POINTED OUT SWISS FIRMS MOST KNOWLEDGEABLE ABOUT THEIR OWN PRODUCTS WHICH THEY MUST ACTIVELY PROMOTE TO APPROPRIATE CONTRACTING AGENCIES. SOMMER NOTED INITIAL SLOW BEGINNING IMPLEMENTATION MOU BUT AGREED WITH SHIELDS THAT BOTH SIDES HAVE LEARNED MUCH FROM RECENT CONTACTS.

6. SHIELDS REFERRED TO POSSIBLE DOD HIGH TECHNOLOGY GUN LICENSE TO MARTIN-MARIETTA WHICH COULD RESULT IN JOINT VENTURE WITH OERLIKON-BUEHRLE LTD. SHIELDS NOTED LICENSE STILL UNDER REVIEW BY DOD WHICH APPRECIATED OERLIKON'S REPUTATION AND ABILITY. SHIELDS ASKED SWISS CONSIDER WHETHER SUCH JOINT VENTURE COULD APPLY TO OFFSET UNDER MOU.

7. EMBASSY COMMENT: (A) EMBASSY BLIEVES SHIELDS VISIT USEFUL IN STRESSING US SERIOUSNESS IMPLEMENT MOU AND, COMING AFTER CONCLUSION RECENT NORTHROP AND GE CONTRACTS, HAD CALMING EFFECT ON SWISS RE USG INTENTIONS.

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PAGE 04 BERN 03256 211726Z

(B) SINCE TIME DID NOT PERMIT CLEARANCE OF MEMCON WITH SHIELDS, EMBASSY HAS MADE THIS TELEGRAM STADIS AND IS POUCHING COPY OF MEMCON DIRECT TO SHIELDS FOR HIS CLEARANCE. WHEN THIS IS OBTAINED, STADIS CAPTION CAN BE REMOVED.
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